

MEASURE A INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

March 29, 2012
Item #10

Subject: Preliminary FY 2012-13 Measure A Revenue Forecast

Recommendation

Review and comment on preliminary FY 2012-13 revenue forecast for the Measure A transportation sales tax program.

Discussion

Staff has generated a preliminary estimate of Measure A revenues for FY 2012-13. Prior to last year, taxable retail sales in Sacramento County showed an incremental 4-year decline from a high of \$108.7 million in FY 2006 to \$82.1 million in FY 2010. During FY 2011, revenues rebounded with a gain to \$87.3 million (6.3%). During the first nine months of FY 2012, the upward trend is continuing, with Measure A sales tax receipts running 6.7 percent above the same period last year. Staff forecasts that the upward trend will generally continue through June. We now estimate that actual revenues this year will jump 6.5% to \$92.3 million.

Consumer confidence in the Sacramento region has markedly improved in the past 18 months, and the unemployment rate has decreased from over 12% to about 10.6%. These data bode well for a continuation of recent trends. Two pending issues, however, cloud the region's economy and warrant some caution in forecasting near-term retail sales activity. First, the housing market in the Central Valley continues to struggle with a high rate of foreclosures and stagnant values. Second, motor fuel prices in the Sacramento region have risen markedly in the last three months, and some market watchers forecast gas prices of near \$5.00 per gallon later this year. Such a spike in the price of oil will inhibit consumer demand for other retail goods and services.

Staff recommends that the STA Board assume a 5.5 percent increase in Measure A sales tax revenues during FY 2012-13 for a cumulative total of **\$97,400,000**. We also recommend that estimated revenues from the Measure A countywide transportation impact fee during FY 2012-13 hold steady at **\$3,000,000**.

A five-year Measure A sales tax revenue allocation schedule is attached hereto. If approved, the FY 2012-13 schedule (left column) will be incorporated into the draft STA Budget. The remaining columns represent staff's preliminary estimate of annual Measure A revenues from FY 2014 to FY 2017. For now, we are assuming average long-term annual growth of 5%. The Measure A entities will use this table to update their 5-year Measure A spending plans, which will be presented for consideration by the taxpayers oversight committee and STA Board during the summer.

Attachment

Staff Contact: Brian Williams